

**VHEMBE DISTRICT MUNICIPALITY**  
**DC 34**



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## **Part 1- Annual Budget**

### **1.1. MAYOR'S REPORT**

ADDRESS BY THE ACTING EXECUTIVE MAYOR OF VHEMBE DISTRICT CLLR MATUMBA J DURING THE DISTRICT COUNCIL SITTING ON THE 27<sup>th</sup> of MARCH 2019. 1400HRS AT VHEMBE DISTRICT MUNICIPALITY COUNCIL CHAMBER

District Speaker, Cllr Nkondo. F

Chief Whip Cllr Ndou. R in his absentia

Members of Mayoral Committee present

MPAC Chairperson Cllr Makhomisane. E

Representatives from COGHSTA

The Chairperson of Vhembe House of Traditional Leaders Thovhele Vho-Kutama and other Traditional Leaders

Fellow Councillors

Acting Municipal Manager and her administration

Invited Guests

Ladies and Gentlemen

Ndi masiari!

Madam Speaker and Councillors, it is my privilege as Acting Executive Mayor of Vhembe District Municipality to table at this Council meeting the Draft Integrated Development Plan (IDP) and Budget. It is that time of the year, once again, where we look in retrospect on the journey that we have travelled together. As we ponder on the successes and challenges that we encountered in this outgoing fiscal year, we are equally able to use the benefit of hindsight to plan and budget for better interventions in the coming year. The documents before you today are the first revision of the Third Generated IDP and Budget which is applicable to the 2019/2020 financial year.

Before recommending the adoption of the IDP and Budget, I would like to do a short presentation.

I think it is imperative for all of us at this meeting today that we be reminded of what the Municipal Systems Act says about Integrated Development Planning. In Section 25, the Act compels municipalities to adopt a “single inclusive and strategic plan for the development of the municipality” and Chapter 4 of the MFMA Section 16 for the tabling of the budget.

In Section 35, the Act furthermore, describes the IDP as “the principal strategic planning instrument which guides and informs all planning, development and all decisions with regard to planning, management and development in the municipality”.

The process of Integrated Development Planning and Budgeting are very important and the result before you is our collective Corporate Strategy that aims to realize the vision and mission of the Vhembe District Municipality as encapsulated in the IDP and Budget. In compiling this Draft Budget, we have followed the process prescribed by legislation and adhered to guidelines stipulated by the National Treasury. In addition to this, we laid out restrictive criteria that departments had to apply in their Draft Budget.

I’m quite sure that we are all aware of the IDP and Budget processes ranging from approval of a time schedule for the whole financial year showing all the actions related to the IDP/ Budget Community input, performance and financial analysis determining the corporate strategy and compilation of the IDP document. The Draft IDP and Budget are published for public comments and submissions. The IDP/ Budget road show and the final revisions and approval of the IDP/Budget are held from the 23<sup>rd</sup> to 26<sup>th</sup> of April.

The IDP and Budget document that I’m tabling consist of the following:

- An overview of the IDP and Budget process
- Introduction of the Political and Administrative Leadership

- The demographic, economic as well as the infrastructure and service provision profiles
- The core strategy and inter alia developing a sustainable future strategy; and
- Lastly, unpacks the strategy into strategic objectives, key initiatives, clear and measurable targets.

Chapter 4 will be used to monitor the delivery of municipal services to our community. The chapter guides the compilation of the annual budget and the performance agreements of the Municipal Manager and General Managers. This is the information that we as Councillors should use to ensure the optimal allocation of scarce resources between sectors and geographic areas in a manner that promotes sustainable growth, equity and empowerment of the poor and marginalized.

## Conclusion

It is the responsibility of the Executive Mayor in terms of Section 30 of the Municipal Systems Act to manage the drafting of the municipality's IDP/Budget and submit the draft to the Municipal Council for adoption. I wish to thank both Mayoral Committee Members and all Councillors for their leadership and contributions to the successful conclusion of the IDP/ Budget process and the document before you today.

Fellow Councillors, this Draft Budget and IDP is an expression of the aspirations of our people. On its own it cannot achieve the desired outcomes. It requires the discipline and commitment of men and women like you who will be resolute in making sure that the institution does not punch below its weight. It is the responsibility of all of us as mandated by our communities to render quality services to the people of Vhembe.

Madam Speaker and fellow Councillors, with this introduction I herewith table the Draft IDP and Budget for 2019/2020 before Council for your approval.

## 1.2 COUNCIL RESOLUTIONS

On the 27th of March 2019 the Executive Mayor presented the 2019/20 MTREF Budget and Tariffs to Council. The Council approved the 2019/20 MTREF Budget and Tariffs budget for tabling in terms of section 16(1) of the Municipal Finance Management Act, (Act 56 of 2003) and of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) - as set out in **A1 Schedule**

- 3.1 The annual budget of the municipality for the financial year 2019/20 and the multi-year and single-year capital appropriations as set out in the following tables:
- 3.2 Budgeted Financial Performance (revenue and expenditure by standard classification);
- 3.3 Budgeted Financial Performance (revenue and expenditure by municipal vote);
- 3.4 Budgeted Financial Performance (revenue by source and expenditure by type); and
- 3.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- 3.6 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the **A1 Schedule**.

### **1.3 EXECUTIVE SUMMARY**

The 2019/20 MTREF budget has been prepared in terms of the Municipal Finance Management Act (56/2003), Municipal Budget and Reporting Regulations and the Government Gazette 32141 of the 17 April 2009.

The Annual budget of the municipality must be prepared in accordance with the principles in Section 18(1) of the MFMA which states that “an annual budget may only be funded from realistically anticipated revenue to be collected, cash backed accumulated funds from previous year’s surpluses not committed to other purposes, and borrowed funds for the capital budget only”. Therefore, adopting a credible budget has become more critical now than before as it has direct bearing on the financial sustainability and achievability of service delivery imperatives of the institution.

The MFMA Budget circulars issued by the National Treasury were also considered in compiling the budget and the following have been taken into consideration to ensure that the budget is credible:

- Only activities consistent with the revised IDP are included in the budget, taking into consideration the financial constraints of the municipality,
- It is achievable in terms of the agreed service delivery and budget implementation plan (SDBIP) and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance; and
- Does not jeopardize the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits.

The compilation of the 2019-20 MTREF remains a huge challenge to balance the budget between the limited revenue resources available and the immense need to provide quality service delivery to communities.

The municipality is facing financial pressures which, if not adequately managed may adversely affect its financial viability. The retention of sufficient cash-backed reserves is critical for the long-term sustainability of the municipality. The municipality must henceforth strive to build its cash-backed reserves by ensuring that all non-cash items are budgeted for and are cash-backed. This will be achieved by ensuring that the municipality adheres to its plans, implement stringent cost containment measures by controlling unnecessary spending on nice-to-have items and non-essential activities as highlighted in MFMA Circular No. 82 and the financial recovery plan.

Other challenges experienced during the compilation of the 2019/20 MTREF are as follows:

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities of the municipality,
- Affordability of capital projects and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2019/20 MTREF process,
- Increasing maintenance costs due to aging water infrastructure

In view of the aforementioned, the following table is a consolidated overview of the Draft 2019/20 Medium-Term Revenue and Expenditure Framework

DESCRIPTION	ADJUSTMENT BUDGET 2018/19	BUDGET ALLOCATION 2019/20	BUDGET ALLOCATION 2020/21	BUDGET ALLOCATION 2021/22
Total Revenue Budget	1,632,599,581	1,748,766,000	1,877,097,520	2,043,419,570
Total Expenditure Budget	1,632,599,581	1,748,766,000	1,850,047,077	1,953,461,899
<b>Surplus/(Deficit)</b>	<b>0</b>	<b>0</b>	<b>27,050,443</b>	<b>89,957,671</b>

Total revenue (including Capital Grants) to expenditure indicates a surplus for the two outer years over the 2019/20 MTREF.



DESCRIPTION	2018-19 ADJUSTMENT BUDGET	BUDGET ALLOCATION 2019/20	BUDGET ALLOCATION 2020/21	BUDGET ALLOCATION 2021/22
Total Revenue Budget	1,632,599,581	1,748,766,000	1,877,097,520	2,043,419,570
Total Operating Expenditure	955,257,240	1,043,762,611,000	1,084,851,748,000	1,143,433,742,000
Total Capital Expenditure	<b>677,342,341</b>	<b>705,003,388,000</b>	<b>792,245,609,000</b>	<b>899,985,494,000</b>
Total Expenditure Budget	1,632,599,581	1,748,765,999,000	1,877,097,357,000	2,043,419,236,000

% INCREASE/DECREASE				
Revenue Growth		7%	7%	8%
Opex		8%	5%	5%
Capex		5%	4%	6%
<b>Total Expenditure</b>		<b>7%</b>	<b>5%</b>	<b>5%</b>

The 2019/20 revenue allocation has increased by **7%** from **R 1,6 billion** in 2018/19 adjusted budget to **R1,7 billion** and the two outer year has increased by **7%** and **8%** respectively.

Revenue is derived from grants and subsidies received from both Provincial and National spheres of government as gazetted in the Division of Revenue Act, herein referred to as the DoRA. Revenue is also derived from municipal own funding received through internal revenue generation.

The total operating expenditure for the 2019/20 financial year has been allocated at **R1 billion** compared to **R0.955 billion** in 2018/2019 financial year, which translate into an increase of **8%**.

The capital budget of **R705 million** for 2019/20 is **5%** more when compared to the 2018/2019 Adjustment capital budget of **R677 million**. For the two outer years, capital expenditure budget increased by **4%** and **6%** respectively.

#### 1.4 OPERATING REVENUE FRAMEWORK

The continued provision and expansion of municipal services is largely dependent on the Municipality generating sufficient revenues. Efficient and effective revenue management is thus of critical importance in ensuring the ongoing financial

sustainability of the Municipality. Furthermore, in accordance with the MFMA, expenditure has to be limited to the realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury guidelines
- Growth in the District and continued economic development
- Efficient revenue management
- Achievement of full cost recovery
- Tariff policies of the municipality
- The municipality's Indigent Policy and rendering of free basic services

The following table is a summary of the 2019/2020 MTREF (classified by main revenue source):

**Table 1 Summary of revenue classified by main revenue source**

**DC34 Vhembe - Table A4 Budgeted Financial Performance (revenue and expenditure)**

Description  R thousand	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>										
Service charges - water revenue	91,578	121,458	80,000	134,621	134,621	134,621	134,621	142,159	149,836	157,927
Rental of facilities and equipment	38	69	3	11	4	4	4	4	4	4
Interest earned - external investments	11,507	34,854	21,300	22,000	23,000	23,000	23,000	24,288	25,600	26,982
Interest earned - outstanding debtors		16,934						6,435	6,782	7,149
Transfers and subsidies	760,033	697,769	827,871	919,557	919,557	919,557	919,557	1,001,735	1,086,698	1,186,131
Other revenue	6,268	27,811	10,756	5,270	6,623	6,856	6,856	6,994	7,372	7,769
Gains on disposal of PPE	-	-	-	-	-	-	-			
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>869,425</b>	<b>898,895</b>	<b>939,930</b>	<b>1,081,459</b>	<b>1,083,805</b>	<b>1,084,038</b>	<b>1,084,038</b>	<b>1,181,615</b>	<b>1,276,291</b>	<b>1,385,962</b>

National Government has repeatedly emphasised the importance of municipalities focussing on growing their own revenue base in order to expand resources available for local service delivery. Municipalities with significant revenue bases are expected to invest more of their own resources. The equitable share constitutes unconditional funding and it is designed to fund the provision of free basic services to disadvantaged communities.

The municipality's total budget amounts to R1,7 billion of which an amount of R1,2 billion has been allocated to operating revenue and an amount R0.573 billion was allocated to Capital Transfers. Total revenue has increased by R116 million or 7% for the 2019/20 budget year when compared to the 2018/19 Adjustment Budget. For the two outer years, total revenue increased by 7% and 8% respectively.

Equitable Share transfer increased by 7% when compared to the 2018/19 Adjustment budget and the outer years increased by 8% respectively. MIG transfer increased by 2% when compared to the 2018/19 Adjustment budget and the outer years increased by 6% and 8% respectively.

Water sales increased by 5% compared to the 2018/19 Adjustment budget and the two outer years increased by 5% respectively. The increase is mainly due on the anticipated revenues to be collected on water sales taking into account the annual inflation rate and GDP growth rate over the 2019 MTREF period.

Municipalities are encouraged to revise their tariff structure taking into account local economic conditions, input costs and the affordability of services to ensure the financial sustainability of the Municipality. National Treasury is encouraging municipalities to carefully review the level and structure of their water tariffs to ensure that water tariffs are fully cost-reflective (i.e. the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion) are structured to protect basic levels of service and ensure the provision of free water to the indigent and are designed to encourage efficient

and sustainable consumption. Tariff increases as from 1 July 2019 are indicated in the Annexure Proposed Tariff 2019/20.

The following table provides a breakdown of the various operating grants and subsidies allocated to the Municipality over the medium term:

**Table 2 Operating Transfer and Grant Receipts**

**DC34 Vhembe - Supporting Table SA18 Transfers and grant receipts**

Description  R thousand	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>RECEIPTS:</b>									
<b><u>Operating Transfers and Grants</u></b>									
<b>National Government:</b>	<b>760,041</b>	<b>751,903</b>	<b>827,871</b>	<b>919,557</b>	<b>–</b>	<b>919,557</b>	<b>1,001,735</b>	<b>1,086,698</b>	<b>1,186,131</b>
Local Government Equitable Share	681,432	746,981	824,760	910,477	–	910,477	996,113	1,083,936	1,183,105
Municipal Systems Improvement	940	–			–				
Finance Management	1,325	1,460	1,795	1,865	–	1,865	2,330	2,762	3,026
Water Services Operating Subsidy	72,000	–			–				
EPWP Incentive	4,344	3,462	1,316	1,215	–	1,215	3,292		
WISG				6,000	–	6,000			
<b>Total Operating Transfers and Grants</b>	<b>760,041</b>	<b>751,903</b>	<b>827,871</b>	<b>919,557</b>	<b>–</b>	<b>919,557</b>	<b>1,001,735</b>	<b>1,086,698</b>	<b>1,186,131</b>

## **1.5 OPERATING EXPENDITURE FRAMEWORK**

The District's expenditure framework for the 2019/2020 budget and MTREF is informed by the following:

- Balanced budget approach by limiting operating expenditure not to exceed operating revenue and
- The funding of the budget over the Medium-Term is informed by the requirements of Section 18 and 19 of the MFMA.

The following table is a high-level summary of the 2019/20 budget and MTREF (classified per main type of operating expenditure):

**Table 3 Summary of operating expenditure by standard classification item**

DC34 Vhembe - Table A4 Budgeted Financial Performance (revenue and expenditure)										
Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Expenditure By Type</b>										
Employee related costs	417,926	439,935	456,700	572,102	569,779	569,779	569,779	595,610	612,499	645,574
Remuneration of councillors	11,034	10,918	11,182	11,853	10,403	10,403	10,403	12,960	13,660	14,398
Debt impairment	99,473	10,608	10,000	10,600	27,791	27,791	27,791	54,847	57,809	60,931
Depreciation & asset impairment	108,720	240,688	39,045	20,000	20,000	20,000	20,000	41,090	43,309	45,647
Finance charges	787	2,324	1,475	1,191	1,191	1,191	1,191	1,500	1,581	1,666
Bulk purchases	1,000	1,000	61,000	83,325	27,900	27,900	27,900	41,201	43,425	45,770
Other materials	49,569	50,208	86,845	87,666	94,965	94,965	94,965	80,254	84,588	89,156
Contracted services	-	3,471	22,103	40,901	65,702	65,702	65,702	98,802	104,138	109,761
Transfers and subsidies	4,114	-	7,039	7,039	7,039	7,039	7,039	-	-	-
Other expenditure	182,444	288,877	140,644	154,558	137,526	137,526	137,526	117,498	123,842	130,530
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>875,068</b>	<b>1,048,028</b>	<b>836,033</b>	<b>989,234</b>	<b>962,296</b>	<b>962,296</b>	<b>962,296</b>	<b>1,043,763</b>	<b>1,084,852</b>	<b>1,143,434</b>



Total operating expenditure for the 2019/20 financial year has been appropriated at R1 billion. When compared to the 2018/2019 Adjustment Budget; operating expenditure has increased by 8% in the 2018/19 budget and by 5% for each of the respective outer years of the MTREF.

**The budgeted allocation for employee related costs** equates to 57% of the total operating costs which is above the norm of 25% - 40% as per MFMA circular guideline. The cause for exceeding the norm is due to staff costs related to water services transferred from Makhado and Musina Local Municipality to Vhembe District Municipality, placement cost for water services staff and critical positions to be filled.

**Remuneration of councillors** is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the District's budget.

**The provision of debt impairment** has been determined based on an annual collection rate in the MTRE. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenue.

**Provision for depreciation and asset impairment** must be informed by the Municipality's Asset Management Policy. However, due to insufficient retention of cash-backed reserves, budget allocation only amounts to R41 million which will be considered to be a non-cash flow item.

**Bulk purchases** (equates 4% of the total operating expenditure) are directly informed by the purchase of water from Department of Water and Sanitation (DWS). The budget allocation for 2019/20 amounts to R41 million. MFMA circular 93 dated 07 December 2018 urge municipalities in arrears with bulk suppliers to ensure that the payment arrangements are effected in the 2019/20 MTREF budget.

**Repairs and maintenance** equates to 8% of the Total Operating Expenditure. It is imperative given the aging of the Municipality's water infrastructure. The current expenditure on this classification is well over 200%. This is attributable to inefficiencies in the value chain. The need to improve the effectiveness of revenue management and reprioritisation of projects and expenditure within the existing resource envelope given the cash flow realities of the municipality is more imperative.

Table 4 DC 34 Vhembe - Table SA34c Repairs and maintenance expenditure by asset class

Description  R thousand	Ref  1	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Revenue Framework	Medium & Expenditure	Term Expenditure
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b><u>Repairs and maintenance expenditure by Asset Class/Sub-class</u></b>										
<b><u>Infrastructure</u></b>		82,679	–	49,456	87,666	87,666	87,666	68,254	71,940	75,825
Water Supply Infrastructure		82,679	–	45,946	87,666	87,666	87,666	68,254	71,940	75,825
<i>Dams and Weirs</i>		82,679	–	2,946	87,666	87,666	87,666	68,254	71,940	75,825
<i>Boreholes</i>		–	–	3,000						
<i>Water Treatment Works</i>				40,000						
Sanitation Infrastructure		–	–	3,510	–	–	–	–	–	–
<i>Waste Water Treatment Works</i>				3,510						
		1	1	1	1	1	1	1	1	1
<b><u>Other assets</u></b>		–	–	3,500	–	–	–	–	–	–
Operational Buildings		–	–	3,500	–	–	–	–	–	–
<i>Manufacturing Plant</i>				3,500						
<b><u>Intangible Assets</u></b>		–	–	900	–	–	–	–	–	–
Servitudes										

Licences and Rights		–	–	900	–	–	–	–	–	–
<i>Unspecified</i>				900						
<b><u>Machinery and Equipment</u></b>		–	–	850	–	–	–	12,000	12,648	13,331
Machinery and Equipment				850				12,000	12,648	13,331
<b><u>Transport Assets</u></b>		–	–	4,500	–	–	–	–	–	–
Transport Assets				4,500						
<b>Total Repairs and Maintenance Expenditure</b>	<b>1</b>	<b>82,679</b>	<b>–</b>	<b>59,206</b>	<b>87,666</b>	<b>87,666</b>	<b>87,666</b>	<b>80,254</b>	<b>84,588</b>	<b>89,156</b>

**Other Expenditure** includes various line items relating to the daily operations of the municipality i.e. Municipal services (electricity), cleaning materials, fuel, printing and stationary, legal fees, and other contracted services. The allocated budget has increased by 20% when compared to the 2018/19 adjusted budget.

## **1.6 CAPITAL EXPENDITURE**

The following table provides a breakdown of budgeted capital expenditure by vote:

Vote Description	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Single-year expenditure to be appropriated</b>										
Vote 1 - Corporate Services	5,562	2,533	9,200	13,236	13,236	13,236	13,236	10,340	10,898	11,487
Vote 2 - Office of the Municipal Manager	69	-	-	-	-	-	-	-	-	-
Vote 3 - Council	-	-	-	-	-	-	-	-	-	-
Vote 4 - Office of the Mayor	333	-	-	200	-	-	-	-	-	-
Vote 5 - Office of the Speaker	-	-	-	-	-	-	-	-	-	-
Vote 6 - Office of the Chief Whip	-	-	-	-	-	-	-	-	-	-
Vote 7 - Finance	414	12,200	-	950	950	950	950	-	-	-
Vote 8 - Technical Services	686,840	693,137	-	124,460	163,928	163,928	163,928	192,999	252,585	331,181
Vote 9 - Community Services	8,802	9,340	11,800	17,543	12,575	12,575	12,575	14,877	15,680	16,527
Vote 10 - Planning Development	4,224	2,293	2,244	2,363	2,249	2,249	2,249	2,383	2,520	2,658
Vote 11 - Water services	142,851	-	630,122	-	-	-	-	-	-	-
Vote 12 - Environmental Health	-	-	-	-	-	-	-	-	-	-
Vote 13 - PMU	-	-	-	485,406	484,405	484,405	484,405	484,405	510,562	538,133
<b>Capital single-year expenditure sub-total</b>	<b>849,096</b>	<b>719,503</b>	<b>653,366</b>	<b>644,158</b>	<b>677,342</b>	<b>677,342</b>	<b>677,342</b>	<b>705,003</b>	<b>792,246</b>	<b>899,985</b>
<b>Total Capital Expenditure - Vote</b>	<b>849,096</b>	<b>719,503</b>	<b>653,366</b>	<b>644,158</b>	<b>677,342</b>	<b>677,342</b>	<b>677,342</b>	<b>705,003</b>	<b>792,246</b>	<b>899,985</b>

<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		6,379	14,733	9,200	14,386	14,186	14,186	14,186	10,340	10,898	11,487
Executive and council		816	–	–							
Finance and administration		5,562	14,733	9,200	14,386	14,186	14,186	14,186	10,340	10,898	11,487
Internal audit											
<b>Community and public safety</b>		8,802	9,340	11,800	17,543	12,575	12,575	12,575	14,877	15,680	16,527
Community and social services		8,802	9,340	11,800	17,543	12,575	12,575	12,575	14,877	15,680	16,527
<b>Economic and environmental services</b>		4,224	2,293	2,244	2,363	2,249	2,249	2,249	2,383	2,520	2,658
Planning and development		4,224	2,293	2,244	2,363	2,249	2,249	2,249	2,383	2,520	2,658
<b>Trading services</b>		829,691	693,137	630,122	609,866	648,332	648,332	648,332	677,404	763,147	869,314
Energy sources											
Water management		829,691	693,137	630,122	609,866	648,332	648,332	648,332	677,404	763,147	869,314
<b>Total Capital Expenditure - Functional</b>	3	849,096	719,503	653,366	644,158	677,342	677,342	677,342	705,003	792,246	899,985

The above tables reflect that the budget for capital expenditure is **R705m** in the 2019/20 financial year; **R792m** and **R899m** in the 2020/21 and 2021/22 financial years respectively,

The capital budget for 2019/20 increased by 5% when compared to the 2018/19 adjusted approved capital budget of **R677** million. For the two outer years, capital expenditure budget increased by 4% and 6% respectively. Water and sanitation services make up 96% of the total capital budget.

### **1.7 ANNUAL BUDGET TABLES**

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the Vhembe District Municipality's 2019/20 Draft Budget and MTREF for approval by the Council.

## **PART 2- SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF ANNUAL BUDGET PROCESS**

Section 21 of the MFMA requires the Mayor to table a time schedule which sets out the process to draft the IDP and prepare the budget ten months before the start of the new financial year.

The budget process is an effective process that every local government must undertake to ensure good governance and accountability. The process outlines the current and future direction that the district would follow in order to meet legislative stipulations. The budget process enables the district to optimally involve residents and other stakeholders in the budgeting process.

The preparation process is guided by the following legislative requirements:

- Municipal Finance Management Act
- Municipal Systems Act and
- Municipal Structures Act



The Vhembe District Municipality Integrated Development Plan (IDP)/Budget review processes for the 2018/2019 financial year started with the development and approval in August 2018 of the Process Plan for the Budget formulation.

See **Attached Budget Process Plan**

## **2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP**

The District's IDP is its principal strategic planning instrument which directly guides and informs its planning, budgeting, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly informs the Service Delivery and Budget Implementation Plan (SDBIP). The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Considering the community needs
- Compilation of departmental business plans including key performance indicators and targets
- Financial planning and budget process
- Public participation through Indaba and IDP Reap Forum
- Compilation of the SDBIP
- The review of the performance management and monitoring processes.

The IDP adopted a business and financial planning process leading up to the 2019/20 MTREF, based on the approved 2017/2018 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2019/20 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2018/2019 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning and essentially informed the detailed operating budget appropriations and three-year capital programme.

After the tabling of the Budget, a series of meetings will be held throughout the municipal area to consult with the elected public representatives, employees of the municipality, Civil Society, business, labour, National and Provincial Governments on how the budget addresses the IDP priorities and objectives. The feedback flowing from these meetings will be referred to the relevant Directorates for their attention.

### **2.3. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

The planning cycle delivers a 5-year and annually reviewed IDP (including a Corporate Scorecard with definitions), annual corporate, directorate and departmental SDBIP, performance indicator measurement sheets, Section 57 performance plans and individual performance assessments.

Planning ensures that clear strategic direction is set and prioritised. Planning is informed by feedback on performance. This is the stage where Key Performance Areas (KPA), objectives, performance indicators and targets are determined. Indicators measure the extent to which objectives are being achieved, indicating performance in relation to outcomes, outputs, activities and inputs. Targets set the level of performance to be achieved within a defined period of time. Indicators must be measurable, relevant, objective and precise. They must include outcomes, output and input indicators. National general indicators must be included.

The IDP is set for the 5-year term of office of the elected Council and reviewed annually. It includes the KPA, strategic objectives, indicators and targets. There will be a direct relationship between the KPA, objective, indicator and target. The actual achievements of targets set for the objectives will be reported on quarterly bases, where appropriate. They will form the platform for the quarterly and annual reports on performance.

The components will be interlinked to ensure implementation. All the objectives and indicators will cascade into a directorate and/or a departmental SDBIP and Section 57 Managers scorecards.

Monitoring and measuring are the processes and procedures to collect, collate and analyse organisational performance data on an on-going basis to determine whether planned performance targets have been met, exceeded or not met. This takes place on a quarterly and an annual basis.

The performance evaluation results are determined by regular management meetings to establish:

- Year-to- date performance progress and reasons for variances for both under- or over performance;
- Remedial action (effective methods of correction or enhancement), if any, which need to be taken
- to achieve the agreed performance targets; and
- A date for implementation and a responsible person will be identified.

A review of indicators and targets can take place to the extent that changing circumstances so demand and in accordance with a prescribed process. These are limited to major organisational changes and when the budget is adjusted.

Reporting performance includes an Annual Report to the relevant Council committees and to the community for comment and quarterly reports at directorate and department level to the relevant Council committees.

#### Auditing and Oversight

Internal Audit and Audit Committee review the Organisational Performance and performance information and compliance. The Auditor General and the Municipal Public Accounts Committee (MPAC) reviews the Annual Report.

The final measurable performance indicators to be accomplished in 2019/20 will be approved by the Executive Mayor as part of the Municipality's SDBIP in May 2019.

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year:

**Table 6: MBRR SA7 Measureable performance objectives**

---

Description	Unit of measurement	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Technical Services</b>										
<b>Water</b>	Installation of water meters	21400 Units	260500.0%	R10 000 000.00	R10 000 000.00	0.0%	R10 000 000.00	R10 000 000.00	R10 000 000.00	R10 000 000.00
<b>Sanitation</b>	Construction of VIP toilets	0.0%	40000.0%	R 6 000 000.00	R 6 000 000.00	0.0%	R 6 000 000.00	R 6 000 000.00	R 6 000 000.00	R 6 000 000.00
<i>No. of water meters installed</i>										
<b>Number of VIP toilets constructed</b>										
<b>Water Loss</b>	Reduce water loss and Un authorised water connection	1500.0%	1500.0%	R 4 000 000.00	R 4 000 000.00	6000000000.0%	R 4 000 000.00	R 4 000 000.00	R 4 000 000.00	R 4 000 000.00
<i>Insert measure/s description</i>		No. of street taps repaired/removed	No. of street taps repaired/removed	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections	No. of legalised existing illegal yard connections
<b>Drinking Water Quality</b>	Maintain drinking water quality standard	99.9%	99.9%	R 150 000.00	R 150 000.00		R 150 000.00	R 150 000.00	R 150 000.00	R 150 000.00
<i>Insert measure/s description</i>										

<b>EPPWP</b>	Creation of Jobs through EPWP programmes	3 147	21400.0%	R1 316 000	R1 316 000	0.0%	R1 316 000	R1 316 000	R1 316 000	R1 316 000
<b>Sub-function 1 - (name)</b>										
<i>Insert measure/s description</i>										
<b>Waste Water</b>	<b>Maintain waste water standard</b>	16.1%	18.6%	Opex	Opex	0.0%	Opex	Opex	Opex	Opex
<i>Insert measure/s description</i>										
<b>Electricity Facilitation</b>		300.0%	400.0%	Opex	Opex	0.0%	Opex	Opex	Opex	Opex
<i>Insert measure/s description</i>										
<b>Community Services</b>										
<b>Refuse Management</b>										

<b>Environ mental Health</b>	<b>Refuse managem nt</b>	100.0%	100.0%	Opex	Opex	Opex	Opex	Opex	Opex	Opex
<i>Insert measure/s description</i>		% reduction on illegal dumping sites	% reduction on illegal dumping sites							
<b>Fire and rescue services</b>	Fire and rescue services	4000.0%	4000.0%	R2 600 000	R2 600 000	0.0%	R2 600 000	R2 600 000	R2 600 000	R2 600 000
<i>Insert measure/s description</i>		No. of fire awareness campaigns	No. of fire awareness campaigns							
<b>Sub- function 3 - (name)</b>	Disaster managem nt	100.0%	100.0%	2 100 000.00	2 100 000.00	0.0%	2 100 000.00	2 100 000.00	2 100 000.00	2 100 000.00
<i>Insert measure/s description</i>										
	<b>Response time to reported incidents</b>	100.0%	100.0%	Opex						
<b>Function 2 - (name)</b>					Opex	0.0%	Opex	Opex	Opex	Opex
<b>Impleme nt sport Art and Culture programmes</b>	Implement sport Art and Culture programme s	200.0%	0.0%	1 255 000						
<i>Insert measure/s description</i>										

<b>Health awareness campaigns</b>	Health awareness campaigns	4000.0%	4000.0%	21500000.0 %	1 255 000	0.0%	1 255 000	1 255 000	1 255 000	1 255 000
<i>Insert measure/s description</i>		No. Health awareness campaigns conducted	No. Health awareness campaigns conducted							
<b>Sub-function 3 - (name)</b>					21500000.0 %	0.0%	21500000.0 %	21500000.0 %	21500000.0 %	21500000.0 %
<i>Insert measure/s description</i>										
<b>DEVELOPMENT PLANNING SMME</b>		0.0%	200.0%	R 2 500 000	R 2 500 000	R1.5M	R 2 500 000	R 2 500 000	R 2 500 000	R 2 500 000
<b>Sub-function 1 - (name)</b>										
<i>Insert measure/s description</i>										
<b>Agriculture</b>	No. of agricultural projects initiated	0.0%	200.0%	1300.0%	1 300 000	0.0%	1 300 000	1 300 000	1 300 000	1 300 000



<i>Insert measure/s description</i>	No. of agricultural projects initiated	No. of agricultural projects initiated	No. of agricultural projects initiated							
<b>Tourism</b>	No. of marketing programmes initiated	100.0%	500.0%	6800.0%	68000000.0 %	0.0%	68000000.0 %	68000000.0 %	68000000.0 %	68000000.0 %
<i>Insert measure/s description</i>										
<b>Function 2 - (name)</b>					20000000.0 %	0.0%	20000000.0 %	20000000.0 %	20000000.0 %	20000000.0 %
<b>Spatial Planning</b>										
<i>Insert measure/s description</i>	No. of SDF reviewed									
<b>Spatial Planning</b>		400.0%	200.0%	0.0%						
<i>Insert measure/s description</i>	No. of spatial planning trainings facilitated									
<b>Sub-function 3 - (name)</b>	SPLUMA	100.0%	1800.0%	Opex	Opex	Opex	Opex	Opex	Opex	Opex

<i>Insert measure/s description</i>	No. of Council Resolutions	Establishment on Municipal Planning Tribunal	% of municipal tribunal sittings held per request (SPLUMA Implementation)							
<b>And so on for the rest of the Votes</b>										

**Table SA8 Performance indicators and benchmarks**

Description of financial indicator	Basis of calculation	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b><u>Borrowing Management</u></b>											
<b>Credit Rating</b>											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	3.8%	1.5%	1.3%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	contributions										
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	0.7	1.1	1.3	1.2	1.8	1.8	1.8	1.8	1.8	1.8
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	0.7	1.1	1.3	1.2	1.8	1.8	1.8	1.8	1.8	1.8
Liquidity Ratio	Monetary Assets/Current Liabilities	0.1	0.4	0.7	0.9	1.3	1.3	1.3	0.8	0.8	0.8
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		57.1%	35.2%	100.0%	40.0%	69.7%	69.7%	69.7%	34.0%	73.3%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		57.1%	35.2%	100.0%	40.0%	69.7%	69.7%	69.7%	34.0%	73.3%	68.3%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	38.2%	43.6%	35.7%	13.7%	15.1%	15.1%	15.1%	37.2%	36.3%	35.2%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old										
<b><u>Creditors Management</u></b>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within MFMA' s 65(e))										
Creditors to Cash and Investments		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Employee costs	Employee costs/(Total Revenue - capital revenue)	48.1%	48.9%	48.6%	52.9%	52.6%	52.6%	52.6%	49.5%	48.0%	46.6%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	52.4%	59.5%	55.1%	53.6%	52.5%	51.4%		51.1%	50.6%	50.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	9.5%	0.0%	6.3%	8.1%	8.1%	8.1%		6.8%	6.6%	6.4%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	12.6%	27.0%	4.3%	2.0%	2.0%	2.0%	2.0%	3.6%	3.5%	3.4%
<b>IDP regulation financial viability indicators</b>	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	3.1	9.4	6.4	7.0	7.0	7.0	5.7	5.7	5.7	6.0
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	362.5%	322.2%	418.9%	110.4%	121.5%	121.5%	121.5%	309.1%	309.1%	309.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	3.3	5.1	4.2	2.5	2.0	1.3	0.7	(0.7)	1.0	3.0

## **2.4 OVERVIEW OF BUDGET RELATED-POLICIES AND AMENDMENTS**

The MFMA and the Budget and Reporting Regulations require budget related policies to be reviewed, and where applicable, be updated on an annual basis.

The following are the key policies that affect, or are affected, by the annual budget

- Budget Policy
- Virement policy
- Cash management and investment policy
- Credit control and debt management policy
- Petty cash policy
- Supply chain management policy
- SCM policy for infrastructure procurement and delivery management
- Inventory policy
- Asset management policy
- Debt Impairment policy
- Tariff Policy
- Asset Disposal policy
- Indigent Policy
- Creditors Payment policy

## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

The economic landscape and the ability of customers to pay for services continues to decline, leading to limited revenue collection and placing the municipality under pressure to generate additional revenue.

The municipality has been advised by the MFMA circular 93 to consider the following when compiling their 2019/20 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures;

- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities as was highlighted in MFMA Circular No. 82;
- ensuring value for money through the procurement process;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

The following macro-economic forecasts were used to increase the projected expenditure for all services as per circular 94 of the MFMA issued by the National Treasury:

<b>TABLE 7: MACROECONOMIC PERFORMANCE AND PROJECTIONS, 2018 - 2021 FISCAL YEAR</b>	<b>2018/19 ESTIMATES</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
		<b>Forecast</b>		
<b>Consumer Price Inflation (CPI)</b>	4.7%	5.2%	5.4%	5.4%
<b>Real GDP growth</b>	0.7%	1.5%	1.7%	2.1%

In order to comply with section 18 of the MFMA, we needed to ensure that the 2019/20 MTREF budget is funded from realistically anticipated revenues to be collected. The base assumption used is that tariff increases will increase at a rate linked to CPI over the medium term. It is also assumed that current economic conditions, and relative inflationary conditions, will continue for the forecasted term.

The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 dated 15 August 2018 through the South African Local Government Bargaining Council Circular No. 6 of 2018 has been used when budgeting for employee related costs for the 2019 MTREF.

The 2018/2019 Adjustment Budget priorities and targets, as well as the base line allocations contained in the Budget Circulars 93 and 94 informed the upper limits for the new baseline for the 2019/2020 annual budget.

## **2.6 FUNDING THE BUDGET (INCLUDING FISCAL OVERVIEW AND SOURCE OF FUNDING)**

The funding of the operating and capital budget per source is as table 7 is as follows:

DC34 Vhembe - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19				2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue By Source</b>											
Service charges - water revenue	2	91,578	121,458	80,000	134,621	134,621	134,621	134,621	142,159	149,836	157,927
Rental of facilities and equipment		38	69	3	11	4	4	4	4	4	4
Interest earned - external investments		11,507	34,854	21,300	22,000	23,000	23,000	23,000	24,288	25,600	26,982
Interest earned - outstanding debtors			16,934						6,435	6,782	7,149
Transfers and subsidies		760,033	697,769	827,871	919,557	919,557	919,557	919,557	1,001,735	1,086,698	1,186,131
Other revenue	2	6,268	27,811	10,756	5,270	6,623	6,856	6,856	6,994	7,372	7,769
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>869,425</b>	<b>898,895</b>	<b>939,930</b>	<b>1,081,459</b>	<b>1,083,805</b>	<b>1,084,038</b>	<b>1,084,038</b>	<b>1,181,615</b>	<b>1,276,291</b>	<b>1,385,962</b>



## **2.7 EXPENDITURE ON GRANTS AND RECONCILIATION OF UNSPENT FUNDS**

DC34 Vhembe - Supporting Table SA19 Expenditure on transfers and grant programme										
Description	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>EXPENDITURE:</b>	1									
<b><u>Operating expenditure of Transfers and Grants</u></b>										
<b>National Government:</b>		1,520,082	751,903	827,871	919,557	–	919,557	1,001,735	1,086,698	1,186,131
Local Government Equitable Share		681,432	746,981	824,760	910,477	–	910,477	996,113	1,083,936	1,183,105
Municipal Systems Improvement		940	–			–				
Finance Management		1,325	1,460	1,795	1,865	–	1,865	2,330	2,762	3,026
Water Services Operating Subsidy		72,000	–			–				
EPWP Incentive		4,344	3,462	1,316	1,215	–	1,215	3,292		
WISG		760,041			6,000	–	6,000			
<b>Total operating expenditure of Transfers and Grants:</b>		1,520,082	751,903	827,871	919,557	–	919,557	1,001,735	1,086,698	1,186,131
<b><u>Capital expenditure of Transfers and Grants</u></b>										
<b>National Government:</b>		668,475	570,880	526,604	505,895	–	505,895	517,151	548,056	592,457
Municipal Infrastructure Grant (MIG)		504,531	497,287	524,360	503,646	–	503,646	514,768	545,536	589,799
Regional Bulk Infrastructure		162,000	71,600	–	–	–				
Public Transport and Systems		1,944	1,993	2,244	2,249	–	2,249	2,383	2,520	2,658
<b>Provincial Government:</b>		30.232	108.000	32.478	39.000	–	39.000	50.000	52.750	65.000

DC34 Vhembe - Supporting Table SA20 Reconciliation of transfers, grant receipts and unspent funds

Description  R thousand	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		197,249	–	–						
Current year receipts		751,753	760,033	827,856	919,557	–	919,557	1,001,735	1,086,698	1,186,131
<b>Conditions met - transferred to revenue</b>		949,002	760,033	827,856	919,557	–	919,557	1,001,735	1,086,698	1,186,131
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
<b>District Municipality:</b>										
Current year receipts					128,642	1,000				
<b>Conditions met - transferred to revenue</b>		–	–	–	128,642	1,000	–	–	–	–
<b>Conditions met - transferred to revenue</b>		–	–	–	–	–	–	–	–	–
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		949,002	760,033	827,856	1,048,199	1,000	919,557	1,001,735	1,086,698	1,186,131
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year		64,334	23,018	23,018		23,000	23,000	40,800		
Current year receipts		683,880			505,895	–	505,895	517,151	548,056	592,457
<b>Conditions met - transferred to</b>										

revenue		748,214	23,018	23,018	505,895	23,000	528,895	557,951	548,056	592,457
Provincial Government:										
Current year receipts					39,000	–	39,000	50,000	52,750	65,000
Conditions met - transferred to revenue		–	–	–	39,000	–	39,000	50,000	52,750	65,000
Total capital transfers and grants revenue		748,214	23,018	23,018	544,895	23,000	567,895	607,951	600,806	657,457
TOTAL TRANSFERS AND GRANTS REVENUE		1,697,216	783,051	850,874	1,593,094	24,000	1,487,452	1,609,686	1,687,504	1,843,588

## **2.8 COUNCILLOR AND EMPLOYEE BENEFITS**

The Salary and Wage Collective Agreement for the period 01 July 2018 to 30 June 2021 dated 15 August 2018 through the South African Local Government Bargaining Council Circular No. 6 of 2018 has been used when budgeting for employee related costs for the 2019 MTREF.

The cost associated with the remuneration of councillors is determined by the Minister of Co- Operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account as informed by the government gazette for Councillors upper limits issued December 2018.

DC34 Vhembe - Supporting Table SA22 Summary councillor and staff benefits										
Summary of Employee and Councillor remuneration	Ref	2015/16	2016/17	2017/18	Current Year 2018/19			2019/20 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
-	1	A	B	C	D	E	F	G	H	I
<b><u>Councillors (Political Office Bearers plus Other)</u></b>										
Basic Salaries and Wages		9,969	7,474	7,507	8,032	-	8,032	9,511	10,186	10,950
Motor Vehicle Allowance		2,113	2,226	2,362	2,527	-	2,527	2,704	2,896	3,113
Cell-phone Allowance		484	518	549	588	-	588	629	674	724
Other benefits and allowances		-	96	102	109	-	109	117	125	134
<b>Sub Total – Councillors</b>		<b>12,566</b>	<b>10,313</b>	<b>10,520</b>	<b>11,256</b>	<b>-</b>	<b>11,256</b>	<b>12,960</b>	<b>13,881</b>	<b>14,922</b>
<b>% increase</b>	4		<b>(17.9%)</b>	<b>2.0%</b>	<b>7.0%</b>	<b>(100.0%)</b>	<b>-</b>	<b>15.1%</b>	<b>7.1%</b>	<b>7.5%</b>
<b><u>Senior Managers of the Municipality</u></b>	2									
Basic Salaries and Wages		1,294	1,106	1,279	1,369	1,369	1,369	6,664	7,137	7,673
Pension and UIF Contributions		27	243	258	276	276	276	295	316	340
Performance Bonus		110	92	98	105	105	105	112	120	129
Motor Vehicle Allowance	3	265	23	25	27	27	27	29	31	33
Cell-phone Allowance	3	55								

			4	4	4	4	4	4	5	5
Housing Allowances	3	366	387	411	440	440	440	471	504	542
Other benefits and allowances	3	12	13	14	15	15	15	16	17	18
Payments in lieu of leave		29	30	32				–	–	–
Long service awards					34	34	34	37	39	42
<b>Sub Total - Senior Managers of Municipality</b>		<b>2,158</b>	<b>1,899</b>	<b>2,121</b>	<b>2,269</b>	<b>2,269</b>	<b>2,269</b>	<b>7,628</b>	<b>8,169</b>	<b>8,782</b>
<b>% increase</b>	<b>4</b>		<b>(12.0%)</b>	<b>11.7%</b>	<b>7.0%</b>	<b>–</b>	<b>–</b>	<b>236.1%</b>	<b>7.1%</b>	<b>7.5%</b>
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		296,235	380,396	354,745	405,337	405,337	381,898	415,371	427,632	446,842
Pension and UIF Contributions		664	1,081	1,146	1,227	1,227	1,227	1,313	1,406	1,511
Medical Aid Contributions		10,617	10,995	11,665	12,482	12,482	12,482	13,355	14,304	15,376
Overtime		22,273	25,537	27,094	28,991	28,991	28,991	31,020	33,223	35,715
Performance Bonus		22,036		–	–	–	–	–	–	–
Motor Vehicle Allowance	3	21,699	22,614	23,994	25,673	25,673	25,673	27,470	29,421	31,627
Cell-phone Allowance	3	–	1,421	1,507	1,613	1,613	1,613	1,726	1,848	1,987
Housing Allowances	3	16,867	27,325	28,992	31,022	31,022	31,022	33,193	35,550	38,216
Other benefits and allowances	3	28	29	31	33	33	33	36	38	41
Payments in lieu of leave		1,077								

			1,142	1,211	1,296	1,296	1,296	1,387	1,485	1,597
Long service awards		4,270	4,526	4,802	5,138	5,138	5,138	5,498	5,888	6,330
Post-retirement benefit obligations	6	44,744	47,429	50,322	53,845	53,845	53,845	57,614	61,704	66,332
<b>Sub Total - Other Municipal Staff</b>		<b>440,509</b>	<b>522,494</b>	<b>505,511</b>	<b>566,657</b>	<b>566,657</b>	<b>543,218</b>	<b>587,983</b>	<b>612,499</b>	<b>645,574</b>
% increase	4		18.6%	(3.3%)	12.1%	–	(4.1%)	8.2%	4.2%	5.4%
<b>Total Parent Municipality</b>		<b>455,233</b>	<b>534,706</b>	<b>518,151</b>	<b>580,182</b>	<b>568,926</b>	<b>556,743</b>	<b>608,571</b>	<b>634,549</b>	<b>669,278</b>
			17.5%	(3.1%)	12.0%	(1.9%)	(2.1%)	9.3%	4.3%	5.5%
<b><u>Board Members of Entities</u></b>										
<b>Sub Total - Board Members of Entities</b>		–	–	–	–	–	–	–	–	–
% increase	4		–	–	–	–	–	–	–	–
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>455,233</b>	<b>534,706</b>	<b>518,151</b>	<b>580,182</b>	<b>568,926</b>	<b>556,743</b>	<b>608,571</b>	<b>634,549</b>	<b>669,278</b>
% increase	4		17.5%	(3.1%)	12.0%	(1.9%)	(2.1%)	9.3%	4.3%	5.5%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>442,667</b>	<b>524,393</b>	<b>507,632</b>	<b>568,926</b>	<b>568,926</b>	<b>545,487</b>	<b>595,610</b>	<b>620,668</b>	<b>654,356</b>



DC34 Vhembe - Supporting Table SA23 Salaries, allowances & benefits (political office bearers/councillors/senior managers)								
Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4		687,575		3,400			690,975
Chief Whip			644,603		3,400			648,003
Executive Mayor			859,471		3,400			862,871
Executive Committee			3,884,165		17,000			3,901,165
Total for all other councillors			5,872,974		68,000			5,940,974
<b>Total Councillors</b>	8	–	11,948,788	–	95,200			12,043,988
<b>Senior Managers of the Municipality</b>	5							
Municipal Manager (MM)			1,496,887		2,500	–		1,499,387
Chief Finance Officer			1,223,632		2,000	–		1,225,632
General Manager: Corporate Services			1,223,632		2,000	–		1,225,632
General Manager: Planning			1,223,632		2,000	–		1,225,632
General Manager: Infrastructure			1,223,632		2,000	–		1,225,632
General Manager: Community Services			1,223,632		2,000	–		1,225,632
<b>Total Senior Managers of the Municipality</b>	8,10	–	7,615,047	–	12,500	–		7,627,547
<b>Total for municipal entities</b>	8,10	–	–	–	–	–		–
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	10	–	19,563,835	–	107,700	–		19,671,535

Table 11 Table SA24 Summary of personnel numbers									
Summary of Personnel Numbers	2017/18			Current Year 2018/19			Budget Year 2019/20		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal employees</b>									
Municipal Manager and Senior Managers	6	–	6	6	–	6	6	–	6
Other Managers				22	22	–	22	22	–
Professionals	1,715	1,715	–	1,502	1,495	7	1,502	1,495	7
Finance				40	33	7	40	33	7
Water	1,715	1,715	–	1,078	1,078	–	1,078	1,078	–
Other				384	384	–	384	384	–
Technicians	–	–	–	9	9	9	9	9	9
Other				9	9	9	9	9	9
<b>TOTAL PERSONNEL NUMBERS</b>	<b>1,721</b>	<b>1,715</b>	<b>6</b>	<b>1,539</b>	<b>1,526</b>	<b>22</b>	<b>1,539</b>	<b>1,526</b>	<b>22</b>
<b>% increase</b>				(10.6%)	(11.0%)	266.7%	–	–	–
<b>Total municipal employee's headcount</b>				<b>1,539</b>	<b>1,526</b>	<b>22</b>	<b>1,539</b>	<b>1,526</b>	<b>22</b>
Finance personnel headcount				40	33	7	40	33	6
Human Resources personnel headcount				68	68		68	68	68

**DC34 Vhembe - Supporting Table SA26 Budgeted monthly revenue and expenditure (municipal vote)**

Description		Ref	Budget Year 2019/20												Medium Term Revenue and Expenditure Framework		
R thousand			July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Revenue by Vote</b>																	
Vote 1 - Corporate Services			11,386	10,386	12,386	13,386	11,386	13,386	10,386	8,386	10,386	16,386	10,197	4,000	132,062	139,193	146,710
Vote 2 - Office of the Municipal Manager			3,806	3,806	6,806	5,806	4,806	2,806	2,806	4,806	2,806	6,806	5,320	5,000	55,376	58,366	61,518
Vote 3 - Council			346	565	688	234	988	568	346	567	988	456	877	6,938	13,560	14,293	15,064
Vote 4 - Office of the Mayor			765	877	988	1,644	1,235	1,634	1,544	1,644	1,444	3,804	1,644	3,024	20,248	21,341	22,494
Vote 5 - Office of the Speaker			10	7	10	9	152	77	99	68	81	470	152	858	1,992	2,100	2,213
Vote 6 - Office of the Chief Whip			10	68	88	79	99	99	65	90	65	78	65	23	827	1,666	1,756
Vote 7 - Finance			7,021	7,870	6,545	6,315	7,021	18,988	6,765	7,021	8,877	8,765	8,787	57,549	151,524	201,671	274,123
Vote 8 - Technical Services			43,549	43,549	43,549	43,549	43,549	43,549	43,549	45,654	43,549	143,933	43,549	41,654	623,183	644,945	658,962
Vote 9 - Community Services			1,623	6,523	8,523	7,523	6,523	1,523	8,698	8,523	8,523	16,523	8,523	29,900	112,930	119,028	125,455
Vote 10 - Planning Development			7,508	2,508	2,508	2,508	2,508	2,508	8,508	2,508	2,470	2,508	1,508	2,000	39,549	41,685	43,936
Vote 11 - Water services			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Environmental Health			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - PMU			1,620	1,720	1,820	1,920	2,020	2,520	5,520	1,520	1,520	2,664	1,520	6,000	30,363	32,003	33,731
Vote 14 - [NAME OF VOTE 14]			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>			<b>77,644</b>	<b>77,879</b>	<b>83,910</b>	<b>82,974</b>	<b>80,286</b>	<b>87,657</b>	<b>88,286</b>	<b>80,788</b>	<b>80,708</b>	<b>202,394</b>	<b>82,143</b>	<b>156,946</b>	<b>1,181,615</b>	<b>1,276,291</b>	<b>1,385,962</b>
<b>Expenditure by Vote to be appropriated</b>																	
Vote 1 - Corporate Services			5,386	7,386	12,386	10,386	11,386	12,380	10,386	10,386	10,386	16,386	10,197	15,007	132,062	135,353	46,741
Vote 2 - Office of the Municipal Manager			6,806	3,806	6,806	3,806	4,806	2,806	2,806	4,806	2,806	6,806	5,320	4,000	55,376	58,366	61,518
Vote 3 - Council			1,108	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,078	1,783	1,078	970	13,560	14,293	15,064
Vote 4 - Office of the Mayor			1,644	1,644	1,644	1,644	44	1,644	1,644	1,644	1,644	3,804	1,644	1,600	20,248	21,341	22,494
Vote 5 - Office of the Speaker			152	152	152	152	2	152	152	152	152	470	152	150	1,992	2,100	2,213
Vote 6 - Office of the Chief Whip			65	65	65	65	35	65	65	65	165	78	65	30	827	1,666	1,756
Vote 7 - Finance			6,021	13,021	7,021	7,315	9,021	8,021	7,021	7,877	12,021	8,021	7,021	73,004	165,384	201,671	274,123
Vote 8 - Technical Services			3,549	43,549	43,549	43,549	43,549	43,549	43,549	43,549	43,549	43,933	43,549	32,047	471,471	457,345	516,402
Vote 9 - Community Services			16,523	6,523	8,523	7,523	6,523	5,523	8,698	8,523	8,523	16,523	8,523	11,000	112,930	119,028	125,455
Vote 10 - Planning Development			9,508	2,508	2,508	2,508	2,508	2,508	2,508	2,508	2,470	2,508	1,508	6,000	39,549	41,685	43,936
Vote 11 - Water services			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 12 - Environmental Health			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 13 - PMU			1,620	1,720	1,820	1,920	2,020	2,520	5,520	1,520	1,520	2,664	1,520	6,000	30,363	32,003	33,731
Vote 14 - [NAME OF VOTE 14]			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>			<b>52,382</b>	<b>81,452</b>	<b>85,552</b>	<b>79,947</b>	<b>80,972</b>	<b>80,246</b>	<b>83,427</b>	<b>82,108</b>	<b>84,315</b>	<b>102,976</b>	<b>80,578</b>	<b>149,808</b>	<b>1,043,763</b>	<b>1,084,852</b>	<b>1,143,434</b>
<b>Surplus/(Deficit) before assoc.</b>			<b>25,262</b>	<b>(3,574)</b>	<b>(1,642)</b>	<b>3,027</b>	<b>(686)</b>	<b>7,411</b>	<b>4,859</b>	<b>(1,320)</b>	<b>(3,606)</b>	<b>99,418</b>	<b>1,565</b>	<b>7,138</b>	<b>137,852</b>	<b>191,440</b>	<b>242,528</b>
Taxation														-	-	-	-
Attributable to minorities														-	-	-	-
Share of surplus/ (deficit) of associate														-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>		<b>25,262</b>	<b>(3,574)</b>	<b>(1,642)</b>	<b>3,027</b>	<b>(686)</b>	<b>7,411</b>	<b>4,859</b>	<b>(1,320)</b>	<b>(3,606)</b>	<b>99,418</b>	<b>1,565</b>	<b>7,138</b>	<b>137,852</b>	<b>191,440</b>	<b>242,528</b>

## 2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

For the 2019/20 MTREF, the budget has been prepared to ensure positive levels of cash and cash equivalents over the medium-term.

Cash flow management and forecasting is a critical step in determining whether the budget is funded over the medium-term.

The **attached table A7** includes some specific features:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government

## **2.10 ANNUAL BUDGET AND SDBIP's – INTERNAL DEPARTMENTS**

In terms of Section 53(1)(c)(ii) the Mayor of a Municipality must take all reasonable steps to ensure that the municipality's Service Delivery and Budget Implementation Plan is approved by the Mayor within 28 days after the approval of the budget. Once the budget has been approved by Council on 29 May 2019, the Service Delivery Budget and Implementation Plan will be submitted to the Mayor for consideration and approval by Council.

## **2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS**

In terms of the Municipality Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years) unless MFMA Section 33 has been complied with. In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Chief Financial Officer.

Table 13: Table SA33 Contracts having future budgetary implications

Description	Preceding Years	Current Year 2018/19	2019/20 Revenue Framework	Medium Term Expenditure	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Total Contract Value
R thousand	Total	Original Budget	Budget Year 2019/20	Budget Year +1 2020/21	Budget Year +2 2021/22	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Parent Municipality: Revenue Obligation By Contract</b>												
<i>Lease of offices</i>		1,216	1,301	1,388	1,493							5,398
<i>Insurance</i>		5,893	6,306	6,728	7,233							26,159
<i>Telkom</i>		2,789	2,984	3,184	3,423							12,380
<b>Total Operating Revenue Implication</b>	–	9,898	10,591	11,301	12,148	–	–	–	–	–	–	43,938
<b>Expenditure Obligation By Contract</b>												
<i>micro soft</i>		612	655	699	751							2,717
<i>Contract 2</i>												–
<i>Contract 3 etc</i>												–
<b>Total Operating Expenditure Implication</b>	–	612	655	699	751	–	–	–	–	–	–	2,717
<b>Total Parent Expenditure Implication</b>	–	612	655	699	751	–	–	–	–	–	–	2,717

Vote Description	2019/20 Medium Term Revenue & Expenditure Framework		
R thousand	Budget 2019/20	Year Budget Year +1 2020/21	Budget Year +2 2021/22
<b>Capital expenditure</b>			
Vote 1 - Corporate Services	10,340	10,898	11,487
Vote 8 - Technical Services	185,046	195,039	205,571
Vote 9 - Community Services	14,877	15,680	16,527
Vote 10 - Planning Development	2,383	2,520	2,658
Vote 13 - PMU	484,405	510,562	538,133

## 2.12 LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements has been substantially adhered to through the following activities:

### IDP

A draft revised 2019/20 IDP has been developed, which was considered at a Council meeting held on 27 March 2019. The IDP includes specific deliverables that forms the basis for the Budget and SDBIP.

### Budget and Treasury Office

A budget office and Treasury office was established in accordance with the MFMA.

### Budgeting

The annual budget is prepared in accordance with the requirements prescribed by National Treasury, MFMA, MBRR and MSCOA regulations.

### In Year Reporting

The municipality submits the various reports required to the Executive Mayor, Council, and NT on an ongoing basis, in accordance with the MFMA.

### Annual Report

The annual report is prepared in accordance with the MFMA and National Treasury requirements.

## 2.13 SUMMARY OF DETAILED CAPITAL PLAN

<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		6,379	14,733	9,200	14,386	14,186	14,186	14,186	10,340	10,898	11,487
Executive and council		816	-	-							
Finance and administration		5,562	14,733	9,200	14,386	14,186	14,186	14,186	10,340	10,898	11,487
Internal audit											
<b>Community and public safety</b>		8,802	9,340	11,800	17,543	12,575	12,575	12,575	14,877	15,680	16,527
Community and social services		8,802	9,340	11,800	17,543	12,575	12,575	12,575	14,877	15,680	16,527
Sport and recreation											
Public safety											
Housing											
Health											
<b>Economic and environmental services</b>		4,224	2,293	2,244	2,363	2,249	2,249	2,249	2,383	2,520	2,658
Planning and development		4,224	2,293	2,244	2,363	2,249	2,249	2,249	2,383	2,520	2,658
Road transport											
Environmental protection											
<b>Trading services</b>		829,691	693,137	630,122	609,866	648,332	648,332	648,332	677,404	763,147	869,314
Energy sources											
Water management		829,691	693,137	630,122	609,866	648,332	648,332	648,332	677,404	763,147	869,314
Waste water management											
Waste management											
<b>Other</b>											
<b>Total Capital Expenditure - Functional</b>	3	849,096	719,503	653,366	644,158	677,342	677,342	677,342	705,003	792,246	899,985

## 2.14 OTHER SUPPORTING DOCUMENTS

See Schedule A1 to A10

## 2.15 MUNICIPAL MANAGER'S QUALITY CERTIFICATE

The Municipal Manager Signed off the budget as per attached certificate